



STATE OF WASHINGTON

## WASHINGTON WORKFIRST

- *Office of Financial Management*
- *Department of Social and Health Services*
- *Employment Security Department*
- *Department of Commerce*
- *State Board for Community and Technical Colleges*
- *Department of Early Learning*

December 17, 2010

**TO:** WorkFirst staff

**FROM:** Marty Brown, Director  
Office of Financial Management

Susan N. Dreyfus, Secretary  
Department of Social and Health Services

Charles N. Earl, Executive Director  
State Board for Community and Technical Colleges

Bette Hyde, Director  
Department of Early Learning

Paul Trause, Commissioner  
Employment Security Department

Rogers Weed, Director  
Department of Commerce

**SUBJECT: WORKFIRST REDUCTIONS**

We want to inform you of further reductions that are needed to achieve a balanced WorkFirst budget for the current fiscal year (which ends June 30, 2011) and the 2011-13 biennium (which begins July 1, 2011).

As you know, in the last year, we have had to make difficult decisions to address a growing WorkFirst budget shortfall, driven by increased demand for services by families affected by the economic recession.

In August 2010, we announced cuts totaling \$51 million to bring the budget in balance. Those reductions included a lowering of the income eligibility limit for Working Connections Child Care from 200% to 175% of the federal poverty level (implemented on October 1 of this year), and limited hardship extensions to WorkFirst's 60-month time limit (which will become effective in February 2011).

In November 2010, we announced additional WorkFirst reductions needed to achieve the 6.3 percent across the board cuts that totaled \$19 million.

We now need to make further reductions to keep the WorkFirst budget in balance. We want to lay out why these latest reductions are necessary.

By early Fall 2010, it had become apparent that the \$62 million in assumed TANF emergency contingency funding would not be appropriated by the federal government. In addition, the caseload forecast for Working Connections Child Care and WorkFirst indicated a \$25 million growth in those programs.

Other revenue impacts were identified in the fall that contributed to the deficit, including the determination that the Employment Security Department Contingency Fund would see a higher than assumed shortfall of approximately \$7.8 million. Finally, there were approximately \$7.2 million in lost savings from the \$51 August reductions due to systems or statutory changes which could not be implemented as assumed.

However, the passage of the TANF extension resolution by Congress in late September included an appropriation of more than \$500 million in Regular TANF Contingency funding for states.

We were notified in November that the funds would be disbursed on a month by month basis to all states as they apply. Washington submitted its application on October 1, 2010 (the earliest date applications were accepted). We have received just over \$19 million of this funding to date and do not anticipate that any further funds will be available.

As a result, by November 2010, the deficit in the WorkFirst budget reached approximately \$82 million for the current fiscal year and \$225 million for the next biennium.

The enclosed table describes the additional reductions we need to make that will impact families enrolled in WorkFirst and the Working Connections Child Care subsidy program. Please note that the table includes information on reductions that we announced last month and are necessary to achieve the 6.3 percent across the board cuts that totaled \$19 million.

All but one of the reductions identified in the table are carried forward in the Governor's proposed budget for the 2011-13 biennium. The one exception to this is the reduction in the maximum amount of Diversion Cash Assistance that eligible families can receive, which the Legislature authorized during the Special Session held on Saturday, December 11.

In our decision-making, we considered input from many on ways to achieve savings in the program. We want to thank those of you who provided us with your ideas and suggestions.

We will post information on all of the WorkFirst reductions, including those already implemented, on this public website: <http://www.dshs.wa.gov/TANFimpacts.shtml>. The information will be available for viewing on Tuesday, December 21.

The cuts we are making come at a critical time for the WorkFirst program. The WorkFirst Subcabinet is close to completing a major re-examination of the program, with a strong focus on resource leveraging and innovative, evidence-based best practices that are known to be cost-effective and sustainable. We are now in the process of finalizing recommendations to the Governor on the reset of the WorkFirst program for the 21<sup>st</sup> century, and we plan on submitting our report with recommendations to the Governor in early January.

Although these are very difficult and challenging times, we continue to believe there are opportunities to be found in this adversity. This is a time to reset, not just reduce, and envision a future where we are better positioned to succeed. And like no time before, we must work together with our partners and local communities to leverage all available resources to meet our shared responsibility in helping families on the pathway to economic self-sufficiency.

Thank you for your commitment and service to Washington's most vulnerable residents.